

**BUSINESS PLAN 2015-16**

*To:* **General Purposes Committee**

*Date:* **27 January 2015**

*From:* **Chief Finance Officer**

*Electoral division(s):* **All**

*Forward Plan ref:* **Not applicable** *Key decision:* **No**

*Purpose:* **To present the Council's Business Plan covering the period 2015-16 in detail, and 2016-17 through to 2019-20 in outline, for:**

- **Committee consideration,**
- **Committee recommendation (with or without amendment) to Council for approval.**

*Recommendations:* **It is recommended that the Committee:**

- 1. Considers the Business Plan, including supporting Budget, Community Impact Assessments, Consultation Responses and other material, in the light of all planning activities undertaken to date.**
- 2. Recommend to Council the following:**
  - a. That approval is given to the Service/Directorate cash limits as set out in each Service/Directorate table in Section 4 of the Business Plan.**
  - b. That approval is given to a total County Budget Requirement in respect of general expenses applicable to the whole County area of £767,883,000 as set out in Section 3, Table 5.4 of the Business Plan.**
  - c. That approval is given to a recommended County Precept for Council Tax from District Councils of £244,122,035.27 (to be received in ten equal instalments in accordance with the fall-back provisions of the Local Authorities (Funds) (England) (Amendment) Regulations 1995), as set out in Section 3, Table 5.4 of the Business Plan.**
  - d. That approval is given to a Council Tax for each Band of property, based on the number of "Band D" equivalent properties notified to the County Council by the District Councils (213,344.9), as set out in Section 3, Table 5.5 of the Business Plan reflecting**

a 1.99% increase in the County Council element of the Council Tax:

<b>Band</b>	<b>Ratio</b>	<b>Amount (£)</b>
A	6/9	762.84
B	7/9	889.98
C	8/9	1,017.12
<b>D</b>	<b>9/9</b>	<b>1,144.26</b>
E	11/9	1,398.54
F	13/9	1,652.82
G	15/9	1,907.10
H	18/9	2,288.52

- e. That approval is given to the report of the Chief Finance Officer on the levels of reserves and robustness of the estimates as set out in Section 3 of the Business Plan.
  - f. That approval is given to the Capital Strategy as set out in Section 7 of the Business Plan.
  - g. That approval be given to capital expenditure in 2015-16 up to £218.6m arising from:
    - Commitments from schemes already approved; and
    - The consequences of new starts in 2015-16 shown in summary in Section 3, Table 5.10 of the Business Plan.
  - h. That approval is given to the Treasury Management Strategy as set out in Section 8 of the Business Plan.
  - i. That approval is given to the Prudential Borrowing Prudential Indicators as set out in Appendix 3 of Section 8 of the Business Plan.
3. Endorse the priorities and opportunities as set out in the Strategic Framework (Sections 1 & 2).
  4. Authorises the Chief Finance Officer, in consultation with the Leader of the Council, to make technical revisions to the Business Plan, including the foregoing recommendations 2a to 2i to the County Council, so as to take into account any changes deemed appropriate, including updated information on District Council Tax Base and Collection Funds, Business Rates forecasts and Collection Funds and any grant changes.

<b><i>Officer contact:</i></b>	
Name:	Chris Malyon
Post:	Chief Finance Officer
Email:	<a href="mailto:chris.malyon@cambridgeshire.gov.uk">chris.malyon@cambridgeshire.gov.uk</a>
Tel:	01223 699796

## **1. BACKGROUND**

- 1.1 It is a statutory requirement under the Local Government Finance Act 2003 for the Council to set a balanced budget before 14 March 2015. In doing so, the Council undertakes financial planning covering a five year timescale that creates links with its longer term financial modelling and planning for growth. The budgets set out in this report are firm for 2015-16 given the information the Council has available at this point, but they also suggest likely budget figures for 2016-17 and for the three years after this. In previous years the Council has published detailed plans for the first two years of its five-year Business Plan. However, the challenge of making new savings has now intensified to the point where we need to explore more transformative approaches to balancing our budget from 2016-17 onwards.
- 1.2 This is the first year in recent times that the Council has developed the Business Plan through the Committee system of Governance, and as such this report represents a collective effort across all Service Committees and the General Purposes Committee (GPC) to set out the best possible Plan for the people of Cambridgeshire amidst huge financial and demand pressure.
- 1.3 This paper is designed to take GPC through the key issues within the Business Plan prior to formal recommendation by GPC for Council decision in February.

## **2. UPDATE ON BUSINESS PLAN PROPOSALS**

- 2.1 There have been a small number of amendments to the draft revenue proposals since the last update to GPC on 6 January. The changes are summarised below, with the detail set out in the following table.
- Following discussion of the Cambridgeshire Local Assistance Scheme (CLAS) by GPC on 6 January, Adults Committee has considered the Committee's recommendation and request £350k to fund the CLAS for one year. This investment proposal has been built into the draft Business Plan, subject to GPC's approval. No on-going provision has been made in the Business Plan beyond 2015-16 [A/R.5.004].
  - Amendment to initial estimate of City Deal revenue costs funded by New Homes Bonus to match contribution levels agreed with Cambridge City Council and South Cambridgeshire District Council. Any funding requirement will be subject to formal approval by the Executive Board [B/R.5.010].
  - Technical adjustment to transfer Schedule 2 Dedicated Schools Grant (DSG) funded budget to DSG table [A/R.1.014, A/R.7.106, G/R.1.001, G/R.7.002].
  - Increase in Healthy Child Programme budget due to increase in associated Public Health Grant funding allocation [E/R.1.004, E/R.7.201].
  - Ongoing investment of £100k in falls prevention recommended by Health Committee following GPC's request that this be considered. Additional savings made within Public Health Directorate to balance the investment [E/R.5.006, E/R.6.002, E/R.6.005, E/R.6.006, E/R.6.007, E/R.6.008].
  - Updated debt charges to reflect changes in interest rates [F/R.5.001].
  - Increase in budget funded by Schedule 2 Dedicated Schools Grant [G/R.1.002, G/R.7.002].

Reference	Title	2015-16 £'000	2016-17 £'000	2017-18 £'000	2018-19 £'000	2019-20 £'000
A/R.1.014	Align existing education funding to responsibilities	-350	-	-	-	-
A/R.5.004	Cambridgeshire Local Assistance Scheme	+350	-350	-	-	-
A/R.7.106	Align existing education funding to responsibilities	+350	-	-	-	-
B/R.5.010	City Deal revenue costs	+717	+128	-491	-534	-526
E/R.1.004	Transfer of Function - Healthy Child Programme	+161	+161	-	-	-
E/R.5.006	Falls Prevention	+100	-	-	-	-
E/R.6.002	Sexual health promotion	-25	-	-	-	-
E/R.6.005	Child and Adolescent Mental Health	-10	-	-	-	-
E/R.6.006	Dental public health	-20	-	-	-	-
E/R.6.007	Internal cost improvement savings	-40	-	-	-	-
E/R.6.008	Health Protection	-5	-	-	-	-
E/R.7.201	Change in Public Health Grant	-161	-161	-	-	-
F/R.5.001	Revenue impact of Capital decisions	-89	-121	-160	-65	-47
G/R.1.001	Transfer of Function	+350	-	-	-	-
G/R.1.002	Base Adjustment	+750	-	-	-	-
G/R.7.002	Overall change in DSG	-350	-	-	-	-
G/R.7.002	Overall change in DSG	-750	-	-	-	-

- 2.2 The financial impact of these investments will be absorbed corporately. Service Committees are not required to find additional savings.

### 3. VISION AND PRIORITIES

- 3.1 The introduction by the General Purposes Committee describes the work of the Council over the past year and the organisation's vision for the five years of the Business Plan.
- 3.2 In spite of the financial challenges that are detailed in the Business Plan, the Council's vision remains "Making Cambridgeshire a great place to call home". To deliver this vision, the Council will continue to focus on three key priorities:
- Developing the local economy for the benefit of all
  - Helping people live healthy and independent lives
  - Supporting and protecting vulnerable people.
- 3.3 In October 2014 the Council unanimously agreed a motion which set out the need to explore public service reform in Cambridgeshire in order to meet the challenges ahead. It has been identified by Members during this Business Planning Process that this work in 2015 will need to incorporate the vision and priorities that guide the Council.

## **4. STRATEGIC FRAMEWORK**

- 4.1 The Strategic Framework sets out the Council's vision and highlevel priorities for the Business Plan period. Included within the Strategic Framework is detail around how the organisation intends to achieve its strategic aims, as well as the measures it will use to assess performance. As well as covering the fiveyear period of the Business Plan, the Strategic Framework looks back at what the Council achieved last year and forward at the key issues facing Cambridgeshire in the longterm.

## **5. MEDIUM TERM FINANCIAL STRATEGY**

### **5.1 Budgetary Context**

- 5.1.1 UK economic growth has been stronger than initially expected during 2014. Private consumption, housing investment and business investment have grown but net trade continues to disappoint. Forecasts for GDP growth in 2014 as a whole are up from 2.7 per cent to 3.0 per cent. Continued weakness in productivity, real income, and UK export markets make it difficult to explain the increase in growth seen over the past two years. An improvement in consumer confidence, credit conditions, and the housing market is the most likely explanation. Ultimately, productivity-driven growth in real earnings is necessary to sustain the recovery and so an initial slow-down of growth is predicted for 2015-16 as growth in private consumption slows more in line with earnings, followed by relatively stable growth over the medium term.
- 5.1.2 Despite some strengthening of the economy, the Government is continuing with the programme of austerity which it embarked on in May 2010. The Autumn Statement on the 3 December 2014 set out plans for a small fiscal tightening to reflect the Government's "commitment to its path of fiscal consolidation". As a result, this contributes to returning the public finances to a sustainable position, with public sector net debt forecast to fall in 2016-17. As a percentage of GDP, the deficit is forecast to have halved by the end of 2014-15.
- 5.1.3 Despite the Government's commitment to reduce the deficit, public sector debt has continued to grow at record levels. The national debt stands at over £1.4 trillion and is forecast to reach £1.7 trillion by 2018. Even with the more promising economic position, continuing to tackle the deficit will put pressure on public sector and local government funding for the foreseeable future.

### **5.2 Revenue Budget 2015-16**

- 5.2.1 For 2015-16, Cambridgeshire will receive £547.2m of funding excluding £220.7m grants retained by its schools. The key sources of funding are Council Tax, for which a provisional increase of 1.99% has been assumed and Central Government grants (excluding grants to schools) which see a like for like reduction of 8.6% compared to 2014-15.
- 5.2.2 There has been the offer of a freeze grant from Government but this is only at 1% which would leave the Council with a lower Council Tax yield over the longer term and put further pressure on the delivery of services.

5.2.3 Total expenditure is £547.2m which incorporates a one off transfer to reserves of £0.1m. The costs of the Council have risen primarily through inflationary and demand pressures, especially in respect of adult social care.

5.2.4 In order to balance the budget in light of these pressures and reduced Government funding, savings of £29.8m have been required for 2015-16, and a total of £118.9m across the full five years of the Business Plan. In developing the proposed savings there has been a focus on the objectives set out in paragraph 3.2 above.

5.2.5 This year the Council has regularised its review of fees and charges to ensure that it makes a conscious decision not to increase charges rather than this being the default position. The presumption within the Medium Term Financial Strategy (MTFS), and therefore the cash limits, is that fees and charges have been increased in line with inflation. This has enabled service committees to determine charges based on relative service priorities and outcomes. Detailed schedules of fees and charges were reviewed by the relevant Service Committees during November 2014:

- [CFA schedule of fees and charges](#)
- [CS schedule of fees and charges](#)
- [ETE schedule of fees and charges](#)

5.2.6 For further information on the revenue budget, see sub-sections 4 and 5 of the Budget Strategy (Section 3) within the Business Plan.

## **6. CAPITAL STRATEGY**

6.1 Including current commitments, the Council will be spending £927.5m on capital investment in the county over the period of the Business Plan. This is in addition to previous spend of £349.2m on some of these schemes, creating a total capital programme value of £1.3billion. For 2015-16, the Council's proposed expenditure on its capital programme is £218.6m. This is financed by a combination of the following funding streams:

- Central Government and external grants (£63.0m);
- Section 106 and external contributions (£65.0m);
- Prudential borrowing (£86.1m); and
- Capital receipts (£4.5m).

6.2 Alongside updates to previously agreed schemes, additional investment proposals this year include the first tranche of City Deal schemes (£100m) and a new Children, Families and Adults (CFA) Management Information System (£5m).

6.3 The number of Invest to Save or Invest to Earn capital schemes (schemes that pay for themselves over the medium term through revenue savings or increased income generation) has decreased this year, partly due to schemes completing and partly due to previously agreed schemes no longer being viable. The remaining schemes include: Housing Provision, Renewable Energy, the Making Assets Count Market Towns Project, County Farms investment and disposal / relocation of the Huntingdon Highways Depot.

6.4 An advisory debt charges limit was set by Council early in the 2015-16 business planning process. Despite the shortfall of £32m in Department for Education (DfE)

Basic Need funding as a result of the 2014-15 funding formula changes, re-working, removing, and rephrasing schemes within the programme has actually managed to achieve a saving on the debt charges budget when compared to the 2014-15 Business Plan; this budget is now forecast to spend £35.4 million in 2015-16, increasing to £41.6 million by 2019-20. While the capital proposals contained within the 2015-16 Business Plan do not cause the advisory limit to be breached, the Council is still concerned that the formula changes to Basic Need allocations have introduced inequalities in the funding of school places across the country. Officers will continue to lobby the DfE for this matter to be addressed.

- 6.5 Although the majority of funding for significant Government capital grants has already been announced for 2015-16, the Council is still expecting a DfE announcement regarding Priority School's Building funding for maintenance. The Council has been prudent in assuming this funding will not be received, therefore if we are in fact successful with our application, then this could result in a reduction to borrowing requirements of up to £5.9m. The Committee will be informed of the outcome of this application when it is known.

## **7. TREASURY MANAGEMENT STRATEGY**

- 7.1 The Council is required to approve Prudential Indicators for 2015-16 to 2019-20. These include indicators showing the cost of servicing debt as a percentage of revenue expenditure and the Council's underlying borrowing requirement. Fixed and variable interest rate exposure and the maturity profile of debt are also reported.
- 7.2 An under borrowed position will be maintained throughout 2015-16. This means that capital borrowing has been reduced through the use of cash balances thereby minimising borrowing costs. As a result cash balances are generally low and the level of loan debt is lower than it might otherwise be. However loan debt is expected to rise significantly throughout the Business Plan period as a direct result of capital investment.
- 7.3 The Council will continue to prioritise the security and liquidity of capital and achieve an investment return that is commensurate with these priorities. A prudent investment strategy is followed and external advice provides a guide on the creditworthiness of institutions. The majority of the Council's investments are in liquid instruments and shorter term deposits with Money Market Funds and high credit quality banks.
- 7.4 A review of the risk appetite in relation to investments is being led by a group of Members selected by their Group Leaders. The results of this review will be reported to the Committee as soon as they are available and any changes to the Strategy will be recommended by the Committee to Council for formal adoption.

## **8. COMMUNITY IMPACT ASSESSMENTS**

- 8.1 The Equality Duty set out in S149 of the Equality Act requires the Council to consciously think about the following three aims as an integral part of developing policy, making decisions, and providing services:



- Eliminate unlawful discrimination, harassment, victimisation and any other conduct prohibited by the act
- Advance equality of opportunity between people who share a protected characteristic and people who do not share it
- Foster good relations between people who share a protected characteristic and people who do not share it

8.2 The Council takes very seriously the need to be aware of the impact that our policies, decisions, and services have on communities across Cambridgeshire, and the importance of using this information to inform the preparation of the Business Plan. Where relevant, for each of the detailed proposals, services have undertaken a Community Impact Assessment (CIA).

8.3 CIAs have been prepared alongside the development of detailed proposals and are published separately to the Plan. They have been included here as Section 6 for reference.

## **9. BUDGET CONSULTATION**

9.1 A number of changes were made to the consultation process compared to the previous year. Having carried out a YouChoose exercise for the past two years this was replaced with a 'Priorities' survey. Consultation with the voluntary / community sector was delegated to individual services and focused on specific proposals. Overall the consultation exercises carried out were:

- During August and early September 2014, a resident's doorstep priorities survey. The sample of respondents properly reflects the age, sex, gender, ethnicity, economic status, district of residence and rural/urban split of the Cambridgeshire population as a whole. A sample of 1,100 residents was interviewed.
- Over a similar time period the same questions were available to answer as an on-line survey. 886 people responded to the survey but this was a self-selecting sample.
- Local businesses were consulted through local events organised with the chambers of commerce, a stall at the B2B business event in autumn 2014 and an on-line survey targeted at businesses.

9.2 The 'doorstep' survey asked by how much residents would personally be prepared to increase Council Tax by, taking into account the savings required, and taking into account that increases of about 1.99% would trigger a referendum. The results showed that 48.3% of all respondents opted for no increase in council tax; 51.7% would be prepared to have some level of increase with 20.2% opting for a figure of 1.99% or above. The three service aims that respondents felt were most important for the wider community were 'Safeguarding and protecting children', 'Ensuring high quality education' and 'caring for older people'.

9.3 The 'on line' survey results showed that 21.7% of all respondents opted for no increase in council tax; 78.3% would be prepared to have some level of increase with 54.4% opting for a figure of 1.99% or above. The same three top priorities for the wider community were selected by the on-line respondents.

9.4 Business representatives were asked two open questions but discussions tended to focus on the second of these; "What do businesses value from Cambridgeshire

County Council?” and “What should Cambridgeshire County Council do to help your businesses thrive?” Discussion centred on seven themes:

- Transport infrastructure
- Broadband
- Housing affordability
- Training and apprenticeships
- The role of local government and communicating that role
- The environment and business opportunities in environmental technology
- Business advice and support

Significant support was expressed for the County Council’s role in developing major infrastructure e.g. the Ely Bypass and improving Broadband. The importance of the County Council in tackling issues such as housing affordability for employees and availability of training opportunities was also acknowledged.

- 9.5 This summary (Section 9 of this report) will become Section 5 of the published Business Plan. The full results of the consultation are available on the Council’s website:  
[http://www.cambridgeshire.gov.uk/site/custom\\_scripts/cons\\_details.aspx?ref=319](http://www.cambridgeshire.gov.uk/site/custom_scripts/cons_details.aspx?ref=319).

## **10. ALIGNMENT WITH CORPORATE PRIORITIES**

- 10.1 The Business Plan’s purpose is to consider and review the Authority’s vision and priorities therefore no additional comments are made here.

## **11. SIGNIFICANT IMPLICATIONS**

### **11.1 Resource Implications**

This report outlines the overall resource position for the Council over the business planning cycle 2015-20.

### **11.2 Statutory, Risk and Legal Implications**

Business planning proposals will inevitably carry statutory, risk and legal implications. These are addressed alongside each proposal where appropriate, and also in more detail at service committee meetings.

### **11.3 Equality and Diversity Implications**

Community Impact Assessments have been completed for the proposals considered in this report, and are attached as appendices.

### **11.4 Engagement and Consultation Implications**

Significant consultation has been taken out as part of the Business Planning Process. This is highlighted within section 4 of this report.

## 11.5 Localism and Local Member Involvement

Business Planning Proposals have been developed with significant Member involvement and consideration of the implications for localism.

## 11.6 Public Health Implications

These are dealt with specifically in the proposals relating to the Health Committee, and where there are implications for work of other Committees these are highlighted.

Source Documents	Location
The County Council 2014-15 Business Plan	<a href="http://www.cambridgeshire.gov.uk/info/20043/finance_and_budget/90/business_plan_2014_to_2015">http://www.cambridgeshire.gov.uk/info/20043/finance_and_budget/90/business_plan_2014_to_2015</a>